

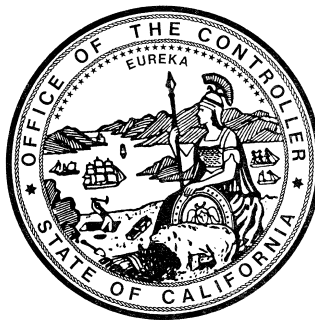
LOS ANGELES UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION TO TEACHERS: PUPILS SUBJECT TO SUSPENSION OR EXPULSION PROGRAM

Chapter 1306, Statutes of 1989,
and Chapter 1257, Statutes of 1993

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

March 2005



STEVE WESTLY
California State Controller

March 9, 2005

Roy Romer, Superintendent
Los Angeles Unified School District
333 South Beaudry Avenue, 24th Floor
Los Angeles, CA 90017

Dear Mr. Romer:

The State Controller's Office audited the claim filed by the Los Angeles Unified School District for costs of the legislatively mandated Notification to Teachers: Pupils Subject to Suspension or Expulsion Program (Chapter 1306, Statutes of 1989, and Chapter 1257, Statutes of 1993) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$1,185,076 for the mandated program. Our audit disclosed that \$173,826 is allowable and \$1,011,250 is unallowable. The unallowable costs occurred because the district claimed costs that were unsupported. The State paid the district \$604,160. The amount paid that exceeds allowable costs claimed, totaling \$430,334, should be returned to the State.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link) and IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/jj

cc: (See page 2)

cc: Kenneth C. Gotsch
Chief Financial Officer
Los Angeles Unified School District
Richard Knott, Controller
Los Angeles Unified School District
Darline P. Robles, Ph.D., Superintendent of Schools
Los Angeles County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Education Fiscal Services Consultant
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Audit Report

Summary

The State Controller's Office (SCO) audited the claim filed by the Los Angeles Unified School District for costs of the legislatively mandated Notification to Teachers: Pupils Subject to Suspension or Expulsion Program (Chapter 1306, Statutes of 1989, and Chapter 1257, Statutes of 1993) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was April 15, 2004.

The district claimed \$1,185,076 for the mandated program. Our audit disclosed that \$173,826 is allowable and \$1,011,250 is unallowable. The unallowable costs occurred because the district claimed costs that were unsupported. The State paid the district \$604,160. The amount paid that exceeds allowable costs claimed, totaling \$430,334, should be returned to the State.

Background

Chapter 1306, Statutes of 1989, added *Education Code* Section 49079 by requiring school districts to report to each teacher the names of every student who has caused, or attempted to cause, serious bodily injury or injury to another person. Chapter 1257, Statutes of 1993, amended *Education Code* Section 49079 to specify for the first time the particular behavior that warrants a teacher notification by including the specific reference to *Education Code* Section 48900. The notification is to be based on any written records the district maintains or receives from a law enforcement agency. No district is liable for failure to comply as long as a good faith effort is made to notify the teacher. Notifications were to commence in the 1990-91 school year, utilizing data from the previous year, with a progression to three prior years of data to be reported by fiscal year (FY) 1992-93.

On January 19, 1995, the Commission on State Mandates (COSM) determined that the legislation imposed a state mandate upon school districts and county offices of education reimbursable under *Government Code* Section 17561.

Parameters and Guidelines, adopted by COSM on July 20, 1995, establishes the state mandate and defines criteria for reimbursement, to compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement, to assist local agencies and school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification to Teachers: Pupils Subject to Suspension or Expulsion Program (Chapter 1306, Statutes of 1989, and Chapter 1257, Statutes of 1993) for the period of July 1, 1999, through June 30, 2002.

The audit scope included, but was not limited to, determining whether costs claimed were supported by source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the district's financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Our review of the district's internal controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding its accounting procedures, financial records, and mandated cost claiming procedures, as recommended by *Government Auditing Standards*. However, the district declined our request.

Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Los Angeles Unified School District claimed \$1,185,076 for costs of the Notification to Teachers: Pupils Subject to Suspension or Expulsion Program. Our audit disclosed that \$173,826 is allowable and \$1,011,250 is unallowable.

For FY 1999-2000, the district was paid \$235,439 by the State. Our audit disclosed that \$42,350 is allowable. The amount paid in excess of allowable costs claimed, totaling \$193,089, should be returned to the State.

For FY 2000-01, the district was paid \$157,719 by the State. Our audit disclosed that \$63,873 is allowable. The amount paid in excess of allowable costs claimed, totaling \$93,846, should be returned to the State.

For FY 2001-02, the district was paid \$211,002 by the State. Our audit disclosed that \$67,603 is allowable. The amount paid in excess of allowable costs claimed, totaling \$143,399, should be returned to the State.

Views of Responsible Official

The SCO issued a draft report on August 13, 2004. Ruben Rojas, Director, Revenue Enhancement, responded by letter dated October 18, 2004, disagreeing with the audit results. The final report includes the district's response as an Attachment.

Restricted Use

This report is solely for the information and use of the Los Angeles Unified School District, the Los Angeles County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 1999, through June 30, 2002

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 1999, through June 30, 2000</u>			
Salaries and benefits	\$ 221,020	\$ 36,792	\$ (184,228)
Materials and supplies	3,614	3,614	—
Subtotals	224,634	40,406	(184,228)
Indirect costs	10,805	1,944	(8,861)
Total costs	<u>\$ 235,439</u>	42,350	<u>\$ (193,089)</u>
Less amount paid by the State		(235,439)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (193,089)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries and benefits	\$ 422,127	\$ 57,407	\$ (364,720)
Materials and supplies	3,880	3,880	—
Subtotals	426,007	61,287	(364,720)
Indirect costs	17,977	2,586	(15,391)
Total costs	<u>\$ 443,984</u>	63,873	<u>\$ (380,111)</u>
Less amount paid by the State		(157,719)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (93,846)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 485,086	\$ 64,853	\$ (420,233)
Materials and supplies	—	—	—
Subtotals	485,086	64,853	(420,233)
Indirect costs	20,567	2,750	(17,817)
Total costs	<u>\$ 505,653</u>	67,603	<u>\$ (438,050)</u>
Less amount paid by the State		(211,002)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (143,399)</u>	
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Salaries and benefits	\$ 1,128,233	\$ 159,052	\$ (969,181)
Materials and supplies	7,494	7,494	—
Subtotals	1,135,727	166,546	(969,181)
Indirect costs	49,349	7,280	(42,069)
Total costs	<u>\$ 1,185,076</u>	173,826	<u>\$ (1,011,250)</u>
Less amount paid by the State		(604,160)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (430,334)</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Unsupported salaries, benefits, and related indirect costs

The district did not support \$969,181 of salary and benefit costs claimed for the audit period. The related indirect cost is \$42,069.

The unsupported salary and benefit costs, and related indirect costs, are summarized as follows:

	Fiscal Year			
	1999-2000	2000-01	2001-02	Total
Salaries and benefits:				
Component 1—				
Information				
maintenance:				
Developing method	\$ (15,286)	\$ —	\$ —	\$ (15,286)
Component 2—				
Notifying teachers	(168,942)	(364,720)	(420,233)	(953,895)
Total salaries and benefits	(184,228)	(364,720)	(420,233)	(969,181)
Related indirect costs	(8,861)	(15,391)	(17,817)	(42,069)
Audit adjustment	<u>\$ (193,089)</u>	<u>\$ (380,111)</u>	<u>\$ (438,050)</u>	<u>\$ (1,011,250)</u>

The unallowable costs were due to the following components.

Component 1—Information Maintenance

The district claimed \$15,286 for developing a cost-effective method of assembling and disseminating suspension or expulsion information to teachers. The district provided an annual declaration of time spent by various district staff. However, the district did not provide any source documents (e.g., time records, time logs, or calendars) to corroborate the estimated hours claimed.

Component 2—Notifying Teachers

The district claimed \$953,895 for time spent by principals and assistant principals notifying teachers of acts described in *Education Code* Section 48900, except subdivision (h), that a student is suspected to have engaged in, or is reasonably suspected of having engaged in. Each school site distributes Class Information Rosters to teachers that contain the name of suspected students. The Class Information Rosters identify the appropriate staff member to receive the confidential information.

The district indicated that each principal or assistant principal spent approximately five minutes notifying a teacher of the student and the specified act that took place. However, the district did not provide any documentation supporting that such notifications (either in person or on the telephone) took place, the number of notifications that took place, or the validity of the estimated five minutes per meeting.

At the end of fieldwork, a district representative asked the SCO to sample various selected school sites and validate the claimed five minutes per meeting. However, validation of the time spent per meeting would not provide evidence that the notifications took place during the

audit period nor quantify the number of notifications that took place. Consequently, the selected school sites were not sampled.

Parameters and Guidelines for the mandated program specifies that only actual increased costs incurred in the performance of the mandated activity and supported by appropriate documentation are reimbursable.

Parameters and Guidelines states that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs.

Recommendation

We recommend the district ensure that all claimed costs are properly supported. Documentation should identify the mandated functions performed and the actual time spent for each function.

District's Response

The district's response to the finding included general responses related to the Auditing Standards and Procedures and to Claim Guidelines and Standards. The district's responses and the SCO's respective comments regarding these two areas are discussed below under "Other Issues." Please refer to the Attachment for a complete text of the district's response.

The district responded to the SCO's single finding in two separate discussions: (1) unsupported salary, benefit, stipend and related indirect costs, and (2) insufficient evidence to substantiate notifications to teachers. The paragraph numbers were added to facilitate the SCO's comments on the district's response.

1. The district states that the time of five minutes per notification it used was based upon results from historical information as well as declarations from the district personnel responsible for this function. The district also states that *Parameters and Guidelines* does not prohibit the use of declarations.
2. The district states that, "Although the P&Gs allow for a time study, the SCO has never validated a method to conduct one." The district states that the district would have claimed costs on this program that are acceptable to all parties had it been given an approved time study format, and that it is "near impossible for a district the size of LAUSD to claim its rightful reimbursement."
3. The district states that, in response to its question of what it could do to substantiate the five minutes per notification, the SCO suggested that it conduct a walk-through to witness the district staff processing the notifications. The walk-through was arranged but the SCO subsequently cancelled it, indicating that it "... would not provide any evidence to support the district's costs." The district states that the SCO would have witnessed the notifications to teachers had they performed a physical walk-through and observed the process and functions.

4. The district states that the SCO indicates that there is insufficient evidence to demonstrate the actual notifications. The SCO would have witnessed the notifications to teachers had they performed a physical walk-through and observed the process and function, as agreed to and permitted by *Government Auditing Standards*. The district states that, under *Government Auditing Standards* (GAS) section 7.28, the SCO has a responsibility to select appropriate audit criteria that are reasonable, attainable, and relevant to the audit objective of the performance audit. The district believes that these standards, if applied, would reflect that the district is in compliance with the policies and procedures for these programs adopted by the Governing Board. The district further believes that, “in a comparison of best practices,” the district’s record keeping practices are comparable to those of similar agencies.
5. It is the district’s understanding that the SCO documents time to the tenth of an hour, or a minimum time increment of six minutes. As a result, the district believes that “the SCO is acting unreasonably by imposing a more rigid standard than is applied to the SCO.”
6. The district suggests that the SCO’s recommendation is “vague and not constructive to direct the district to satisfy the requirements of the SCO on an on-going basis.” The district cites GAS section 8.28, which states, “Recommendations should logically flow from the findings and conclusions and need to state clearly the actions to be taken.” Based on this, the district asserts that “the SCO has failed in its obligation to provide LAUSD with recommendations that are consistent with the Government Accounting Standards.”

SCO’s Comment

Subsequent to the issuance of the draft report, a portion of the finding related to the time spent identifying the expelled pupils, totaling \$24,792, and the time for key data entry of each identified suspended pupil, totaling \$134,260, was determined to be allowable. The related indirect costs total \$6,943. Consequently, the total finding has been reduced by \$165,995, from \$1,177,245 to \$1,011,250. The remaining finding remains unchanged.

1. The district applied the five-minute time increment for time spent by principals and assistant principals notifying teachers of an incident in which a suspended pupil is suspected to have engaged in, or is reasonably suspected of having engaged in, acts described in *Education Code* Section 48900, except subdivision (h). The district did not provide the SCO staff with any evidence that the five-minute time increment per notification was based upon historical information or declarations from district personnel. *Parameters and Guidelines* does allow the use of declarations. However, all costs claimed must be traceable to source documents that show evidence of the validity of such costs. The district did not provide any declarations. Instead, the district provided summary sheets prepared by its claim preparation consultant that identified the five-minute time increments. The district did not provide any source documentation to validate the summary sheets.

2. The SCO staff has allowed a time-study methodology when claimed costs were not supported by actual time records, including prior claims filed by the district. For this mandate, the time study results would be applied to the number of teachers notified. However, the district did not provide any evidence supporting that, during the audit period, a principal or an assistant principal notified a teacher of reimbursable acts, the mode in which such notification was made, or the number of notifications that were made. Consequently, the implementation of a current time study would not be appropriate.
3. The SCO staff walk-through discussion with the district occurred in a telephone conference on March 12, 2004. We discussed setting up time for the SCO staff to observe time spent to support the five-minute time allowance per expelled pupil for identifying the expelled pupils, totaling \$24,792, and the two-minute time allowance for key data entry of each identified suspended pupil, totaling \$134,260. These findings were identified in the draft report but deleted from this final report. The SCO staff met with the district's Director of Pupil Services and two school-site principals on August 12, 2003. At that meeting, the director and the principals provided a walk-through of the notification process and stated that it has no evidence supporting that such notifications took place during the audit period. They stated that actual meetings were not documented due to time constraints in the school day. Consequently, a physical walk-through requested by the district at the end of fieldwork on the current notification to teachers process would not have supported that a principal or an assistant principal conferred with and notified the teachers of reimbursable acts or quantified the number of notifications that took place during the audit period. Therefore, the SCO staff did not perform such a walk-through.
4. The audit was performed in accordance with *Government Auditing Standards*. Sufficient procedures were performed to support the audit findings. The district stated that it has no evidence supporting that such notifications took place during the audit period. Record keeping practices of similar agencies are not relevant in determining whether the district supports the number of notifications it claimed for reimbursement during the audit period.
5. Reference to the SCO unreasonably imposing a more rigid standard for the maintenance of time records than is applied to the SCO is unclear. The SCO does not impose standards. Claimed costs should be based on actual costs incurred and time records should be maintained to measure actual costs. If a district chooses to perform a time study, time increments should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very small increments (a number of minutes) may be needed for employees performing short tasks to approximate actual costs when projecting the results to the universe.
6. The recommendation is in accordance with *Government Auditing Standards*. The audit finding states that the district did not provide documentation to substantiate costs claimed. Accordingly, we recommended that the district ensure that costs claimed are supported. To encourage improvements, a constructive

recommendation was made to the district to maintain documentation that would identify the mandated activities performed and the time spent on each function.

The district did not respond to the unallowable costs of \$15,286 for developing a cost-effective method of assembling and disseminating suspension or expulsion notices to teachers.

OTHER ISSUES

The district's response also addresses the following issues. The SCO's comments immediately follow the district's response to each issue.

Auditing Standards and Procedures

District's Response

The DAR states that the audit was conducted in accordance with Government Auditing Standards issued by the Controller General of the United States. With regard to the report of audit findings, section 8.13 of those standards provides:

Auditors should report findings by providing credible evidence that relates to the audit objectives. These findings should be supported by sufficient, competent, and relevant evidence. They also should be presented in a manner to promote adequate understanding of the matters reported and to provide convincing but fair presentations in proper perspective.

Further, the DAR states that the audit's scope "was limited to planning and performing audit procedures necessary to obtain **reasonable assurance** concerning the allowability of expenditures claimed for reimbursement."

The District respectfully submits that the DAR does not satisfy the guidelines of section 8.13. The DAR, in essence, finds that the District has not met the "reasonable assurance" standard. However, the DAR does not provide "sufficient, competent or relevant evidence" to support such findings. Instead, the DAR findings are stated in definitive fashion without explanation, evidence or rationale. The SCO has not provided the District with adequate notice or guidance regarding the type or level of support it must demonstrate to satisfy the SCO's "reasonable assurance" standard. It is abundantly clear to the District that the auditors' mission was to disallow all claimed reimbursements at the outset, rather than conduct an audit in good faith to determine whether any portion(s) of the District's claimed reimbursements were lacking evidentiary or legal support.

SCO's Comment

The audit was performed in accordance with *Government Auditing Standards* using criteria identified in the *Parameters and Guidelines*. Our mission was not to disallow all claimed reimbursements at the onset, but rather to determine whether costs claimed were supported by source documents, were not funded by another source, and were not unreasonable and excessive. As indicated previously, the district did not provide any evidence supporting that, during the audit period, a principal or an assistant principal notified a teacher of reimbursable acts, the mode in which such notification was made, or the number of notifications that were made. Such information is necessary in determining allowable costs. Therefore, the finding is supported and valid.

**Claim Guidelines
and Standards**District's Response

Since the inception of this mandate, the SCO has failed or refused to provide the District with adequate guidelines regarding the manner in which increased costs should be calculated and documented. In the absence of such guidance, the District has made reasonable and good faith efforts to calculate and document its increased costs. The SCO has for years accepted without objection the District's methodology and documentation. The SCO may not now arbitrarily reject the District's claims while still failing to provide adequate guidance as to an acceptable methodology.

SCO's Comment

The SCO audit staff discussed and documented the basis for the unallowable costs with district representatives on various occasions. The district staff was advised that it needs to keep source documents, such as log sheets or meeting agendas, to support that claimed mandated activities were performed. The lack of an SCO audit in prior fiscal years does not justify the acceptance of all costs claimed for the audit period. The district is responsible for supporting costs claimed.

**Attachment—
District's Response to
Draft Audit Report**



LOS ANGELES UNIFIED SCHOOL DISTRICT

Office of the Controller

Revenue Enhancement Unit
333 S. Beaudry Ave. 26th Floor
Los Angeles, CA 90017
Telephone: (213) 241-7990 Fax: (213) 241-6818

Roy Romer
Superintendent of Schools

Kenneth C. Gotsch
Chief Financial Officer

Richard J. Knott
Controller

Ruben J. Rojas
Director, Revenue Enhancement

October 18, 2004

By U.S. Mail & Fax: (916) 327-0832

Jim Spano, Chief
Compliance Audit Bureau
State Controllers Office
Division of Audits
PO Box 942850
Sacramento, CA 94250

Re: Notification to Teachers: Pupils Subject to Suspension or Expulsion Program Audit for the period July 1999 through June 30, 2002.

Dear Mr. Spano:

This letter is the Los Angeles Unified School District's ("District") response to the State SCO's Office (SCO) draft audit report ("DAR"), dated August 13, 2004, concerning the District's July 1999 through June 30, 2002 Notification to Teachers mandated costs claims ("the Audited Claims").

As discussed more fully below, the District does not believe that the DAR, adequately sets forth the legal or factual basis of the SCO's denial of the Audited Claims. The District has made a Public Records Act request for the SCO's working audit file to obtain a more detailed understanding concerning the SCO's methodology, findings, and conclusions. The District reserves the right to amend or supplement this response upon receipt and review of that file and specifically communicates hereby its intention to do so within a reasonable time after receipt and review of such file.

AUDIT STANDARDS AND PROCEDURES

The DAR states that the audit was conducted in accordance with Government Auditing Standards issued by the Controller General of the United States. With regard to the report of audit findings, section 8.13 of those standards provides:

Auditors should report findings by providing credible evidence that relates to the audit objectives. These findings should be supported by sufficient, competent, and relevant evidence. They also should be presented in a manner to promote adequate understanding of the matters reported and to provide convincing but fair presentations in proper perspective.

Further, the DAR states that the audit's scope "was limited to planning and performing audit procedures necessary to obtain **reasonable assurance** concerning the allowability of expenditures claimed for reimbursement."

The District respectfully submits that the DAR does not satisfy the guidelines of section 8.13. The DAR in essence finds that the District has not met the “reasonable assurance” standard. However, the DAR does not provide “sufficient, competent or relevant evidence” to support such findings. Instead, the DAR findings are stated in conclusory fashion without explanation, evidence or rationale. The SCO has not provided the District with adequate notice or guidance regarding the type or level of support it must demonstrate to satisfy the SCO’s “reasonable assurance” standard. It is abundantly clear to the District that the auditors’ mission was to disallow all claimed reimbursements at the outset, rather than conduct an audit in good faith to determine whether any portion(s) of the District’s claimed reimbursements were lacking evidentiary or legal support.

CLAIM GUIDELINES AND STANDARDS

Since the inception of this mandate, the SCO has failed or refused to provide the District with adequate guidelines regarding the manner in which increased costs should be calculated and documented. In the absence of such guidance, the District has made reasonable and good faith efforts to calculate and document its increased costs. The SCO has for years accepted without objection the District’s methodology and documentation. The SCO may not now arbitrarily reject the District’s claims while still failing to provide adequate guidance as to an acceptable methodology.

The audit report shows a combined disallowance of \$1,011,250 out of a total combined claimed of \$1,185,076. The disallowance is summarized in the table below.

Fiscal Year	Salaries and Benefits	Indirect Costs
99-00	\$184,228	\$8,861
00-01	\$364,720	\$15,391
01-02	\$420,233	\$17,817
Total	969,181	42,069

The District is not in agreement with the conclusions of these findings.

Finding 1: Unsupported salary, benefit, stipend and related indirect costs.

Per conversations and meeting with the SCO, this disallowance relates to the verification of the five minute time increment that was claimed by the District for each notification to teachers. The District used five minutes per notification based upon results from historical information as well as declarations from District personnel responsible for this function. As known to the SCO’s, the Parameters and Guidelines do not prohibit the use of declarations in regards to validating the conduct of mandate activities.

Per the Parameters and Guidelines (P’s & G’s) adopted 7/20/1995 and updated 8/29/2000, claimants are directed to support claimed costs by:

“Identify the employee(s) and their job classification, describe the mandated functions performed, and specify the actual number of hours devoted to each function, the productive hourly rate, and related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.”

Although the P’s & G’s allow for a time study, the SCO has never validated a method to conduct one. This ongoing inability of the SCO to establish “acceptable” procedures for a time study made it near impossible for a district the size of LAUSD to claim its rightful reimbursement. It is the position of the District that it is complying with its legislative mandate while the mechanism for funding that mandate is flawed. Given an approved time study format the District would be able to claim costs on this program that are acceptable to all parties involved.

Further, during one of the audit meetings, Ruben Rojas of LAUSD asked the SCO representatives what could be done to evidence that the District spends five minutes per notification. (Please note this is not reflected correctly in the draft audit report.) In response, Jim Spano suggested a physical walk through where the SCO representatives could witness the LAUSD staff actually processing the notifications. The District made arrangements for the SCO to visit the selected sites, and the day of the scheduled walk through, the SCO called and cancelled, indicating that the walk through would not provide any evidence to support the District's costs. We believe that if the SCO had followed through with their physical walk through, their representatives would have observed that the notifications in question take at least five minutes each. The District has a clear policy and procedure for notifications that is followed, and the notifications in fact have been made and continue to be made.

Additionally, it is our understanding that the SCO documents time to the tenth of an hour, or a minimum time increment of six minutes. As a result, we believe that the SCO is acting unreasonably by imposing a more rigid standard than is applied to the SCO.

Finding 2: Insufficient evidence to substantiate notifications to teachers

The SCO asserts that there is insufficient evidence to demonstrate that actual notifications were conducted. It is the District's position that had the SCO physically walked through and observed the process and functions as agreed to, and permitted by the Government Auditing Standards, the SCO representatives would have witnessed the notifications being processed, and taking place. Additionally, the number of notifications claimed is based upon information that is part of the District's Student Information System's (SIS) database. This is the same data that is used in the notification process. Due to this fact, the District has every confidence that this data is accurate and representative of its actual costs.

Additionally, pursuant to the Government Auditing Standards referenced in the Draft audit report, the SCO has a responsibility to select appropriate criteria. Section 7.28 states, "...In selecting Criteria auditors have a responsibility to use criteria that are reasonable, attainable, and relevant to the objective of the performance audit." It further references examples as "b. policies and procedures established by officials of the audited entity, and h. best practices of leading organizations." We believe that these standards, if applied, would reflect that LAUSD is in compliance with the policies and procedures the Governing Board has adopted for these programs, and in a comparison of best practices, the District's record keeping practices are comparable to similar agencies.

Furthermore, based upon input from other similar agencies recently subject to audit, it appears that almost none of the agencies have satisfied the SCO's requirement to properly support the claims subject to audit. Our interpretation of this trend would indicate that the SCO has failed to consider a best practices benchmark, and further has arbitrarily established a benchmark that exceeds the best practices of similar agencies.

Finally, the SCO's recommendation for correction states, "The district should ensure that all claimed costs are properly supported. Documentation should identify the mandated functions performed and the actual time spent for each function." Considering this recommendation resides on page six of a six-page report, it would appear the recommendation is vague and not constructive to direct the district to satisfy the requirements of the SCO on an on-going basis. Additionally, Section 8.28 of the Government Auditing Standards states "If warranted, auditors should make recommendations for actions to correct problems identified during the audit and to improve programs and operations. Auditors should make recommendations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Recommendations should logically flow from the findings and conclusions and need to state clearly the actions to be taken." We believe the SCO has failed in its obligation to provide LAUSD with recommendations that are consistent with the Government Auditing Standards.

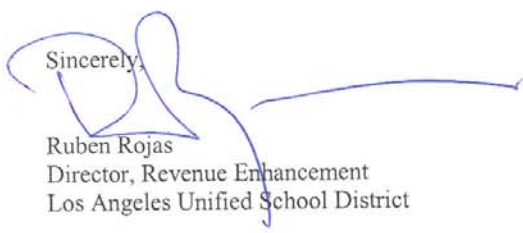
CONCLUSION

In conclusion, the District feels the SCO has failed to demonstrate reasonably its basis for denial of these costs. Furthermore, the District is a multifaceted organization with a mission to educate students, and insure a safe and healthy learning environment for its students. To the extent it is appropriate, the district monitors and maintains

time records for its staff and operations, however due to the diversity of district's departments/sites, staff, and work environments keeping records to the level required by the SCO will distract from the mission of the district, dilute the services it provides, and be a detriment to those it serves. As a result, the District is respectfully requesting the SCO reverse its findings and reinstate the claimed costs due to the district.

We appreciate your staff's courtesy and professionalism during the course of this engagement and are available to meet with staff to convey the aforementioned documentation. Should the request be denied we reserve the right to file an Incorrect Reduction Claim with the Commission on State Mandates within the statutory allowed time period for the amounts in question.

Sincerely,



Ruben Rojas
Director, Revenue Enhancement
Los Angeles Unified School District

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